

"THE SPECIE BASIS," AS RELATED TO INDUSTRY AND THE CURRENCY

BY WILLIAM BROWN.

One of my correspondents, who was acquainted with the late Amasa Walker, writes me as follows:—"I think he (Mr. Walker) suspected or was inwardly conscious of the defects of Political Economy as it stands, but he lacked nerve to expose them—perhaps he also lacked nerve to seek with diligence for the truth." I am struck with the remark. From all that I see and hear, the conviction is forcing itself upon my mind that there are not a few political economists who are beginning to lose faith in the current expositions of the science, and that there are even some who begin to suspect what they have themselves written on the subject.

But though there may be here and there encouraging signs that a few earnest and thoughtful men are drawing towards the light, it is but too painfully evident that some of our recognised expounders of Political Economy, even in the great centres of thought and activity, are receding further and further from it. Witness the following from a recent number of the *London Fortnightly Review*.

"The science of Political Economy, as we have it in England, may be defined as the science of business.....Some hold, and as I think hold justly, that, extraordinary as it may seem, these regular changes in the sun have much to do with the regular recurrence of difficult times in the money market." So saith Mr. Walter Bagehot in an article on "The Postulates of English Political Economy." Astonishing discovery! The sun in the heavens bringing a money panic on London or New York! One would hardly think that such a remarkable case of sunstroke or color blindness could have occurred in the foggy climate of England. Such "postulates" as these almost take away one's breath. Perhaps we may have, in the next revolution of the Fortnightly, an arraignment of the fixed stars, or of Saturn's ring, or of Jupiter's satellites, as the guilty sources of paper lies and inflation among the sons of men. Who knows but the recent transit of Venus has had something to do with the troubles down here among the legal tenders? Is it not possible that the persistent discount on this class of paper delusions may be attributed to Venus having got a little off the square? A lunar or solar eclipse would be a splendid case to go to a Jury—or to Congress. Let the *Fortnightly Review* choose twelve men, good and true, who believe that a correct definition of the science of Political Economy "as they have it in England" is, that it is "the science of business," and let them take evidence as to whether "perturbations" in the heavenly bodies are the direct cause of "perturbations" in the "paper" market, or *vice versa*; and then we may have the whole thing fairly advanced as a postulate or established as a principle in monetary science. Nothing could be more seemly than that the

wise men of London; the "paper" centre of the financial world, should institute a search for the specie basis. They are largely accountable for the disappearance of the people's money from the hand of industry. Will they allow me to suggest that possibly Orion may have it stowed in his belt or under his feet. Could industry only have the assurance that its cash forms a sort of pedestal for the brilliant constellation, it might feel somewhat more satisfied than with the present hollow delusion of the specie basis. Let us have a Prospectus forthwith of the Bank of Orion placed upon the London Stock Exchange. We know the trouble is, that even at the Bank of England people sometimes want their money and occasionally venture to make a clamor for it. Let us transfer the people's money from both departments of the bank to the feet of Orion. There would be a specie basis for you, safe from all "runs"! The idea is at once so startling, so novel, so intelligent, that I claim it as one of the postulates of "the science of business as they have it in England." And I am quite satisfied, if the thing could only be accomplished, that it would do less harm to industry than the present "postulates" as to the specie basis. The idea of relegating, to the heavenly bodies, our responsibility in the practical destruction of the people's money, is so fascinating, that one sinks down into the easy chair of financial tranquillity quite overcome with the delicious aroma which floats about "postulates" which not only at once relieve us from all care and fill our coffers to overflowing, but settle for ever the troublesome questions as to returns to specie payments, or the practical difficulty of finding the specie basis when foolish and suspicious people begin to clamor for it. I shall lay claim now to a joint occupancy of the first vacant chair of Political Economy.

"Bank of England notes are not exactly coin," says Professor Jevons, in his recent work on Money and the Mechanism of Exchange. No, not exactly. They are as far from coin as north is from south; just as far as payment is from non-payment. They are the very opposite of coin. Coin accomplishes barter in and by itself; and it does so because it has labor value in it; and the labor is transferred for the equivalent value acquired. But Bank of England notes are evidences of debt. They are proof to the holder (*if he be a producer*), and proof beyond all question, that those who issue them are fattening off his labor or his products; that he has given toil and got no return; that payment is suspended. That is "not exactly" the work of coin. Does it bear any resemblance to it at all? Goods may be *transferred* by any underhand method. But industry wants to be *paid* for its goods and labor. Surely the holder needs no other evidence than the five pound note in his pocket that the Bank has got his money or his toil, and that he has got the Bank's paper; that the Bank has his capital in hand and is reaping from its employment; and that he can never get the same value in exchange for that paper which he passes away and for the use of which, or rather for the time he holds it in possession, he pays out of his own toil, as if he used his own money, true money, in payment of the things he buys.

Another postulate, this time from the American continent, has just turned up. Mr. H. C. Baird lays it down in the *Atlantic Monthly* for March (1876) in an article on "Money and its Substitutes." Here it is: "Value being a measure of the resistance to be overcome in getting possession of anything, the paper money issued by a responsible

26 May 02 L. W. 1202

government, like that of the United States or Great Britain, for commodities or services received, would represent and indeed embody value in such an eminent degree, that it would closely approximate in this respect to money of inherent value equal to its face." Now I defy any one who is not a lunatic on the subjects of value and money to swallow such a dose as this. The only interpretation which the passage will bear is this—that value has been imparted to the "paper money" because a certain resistance had to be overcome in taking the money out of the people's hands. But if Mr. Baird means to set forth the well known fact that labor has to be given, or resistance to be overcome, by muscular toil, before people can get their money or their goods; and that *therefore* responsible or any other governments can impart value to bits of paper in such an eminent degree as that they shall closely approximate in that respect to a product of toil, then I confess I am blind enough not to perceive the connection. And Mr. Baird will pardon me when I say that there is not the remotest industrial connection between the two things. The article is a plea for more paper for the American people; and though, as appears to me, it is a signal failure in that respect, and abounds with propositions which no true economist can for a moment entertain; yet, on the other hand, it is a damaging statement of what is popularly known as the specie basis. The sentence "money of inherent value equal to its face" is quite beyond my comprehension. I have always understood that, practically, value is a relative term, having reference to some other article owning an equivalent amount of labor. Mr. Baird says, and says truly, "Under the British credit system some \$115,000,000 or a little over, of specie is made to serve as a so-called 'basis' for \$4,000,000,000 of bank circulation and deposits." So that, even if the money were the property of the banks—if they had given labor to the people for it instead of bits of paper—it would still be a complete delusion to call it a basis of any kind for the huge mountain of paper by which "business" is transacted and industry ruined.

But, seriously speaking, who are we deceiving by all this course of conduct? It is painfully evident that many writers of undoubted ability are unconsciously engaged in the propagation of the most vulgar and dangerous errors. I say unconsciously—for I have hope that these gentlemen, when they have laid hold of the fundamental truths of Political Economy in the right way, will consecrate their talents to the propagation of those principles which they now labor to destroy. It is hard to say to what extent we are deceiving the working men, the producers. They, poor simple souls, never look into the matter at all. They have not the least suspicion that so great a wrong is done to them. They confide in what they consider the integrity of the system which is working their ruin. I fear we are but deceiving our own selves, and it is a terrible thing indeed when a deceived heart turns us aside.

A correct "postulate" of the science of Political Economy as they have it in England would be—the science of destroying money, or of constantly suspending payment—of escaping productive toil—of living off the unrequited labor of others—and of effecting the ruin of industry.

What is the convertibility of paper currency? It has been buried under so many fine commercial phrases that it is no wonder the paper men themselves are continually wrangling over the subject. An individual, a bank, a corporation, or a government, gets hold of

the money of industry in exchange for bits of paper. Industry does not in this way part with its money willingly. Through the intervention of the men of "business," it parts with it unwittingly or ignorantly. It delivers it up unconscious of the fact that paper can never be received in exchange for the products of toil without oppression of toil. It matters little whether this is done by force or guile. It would not be so bad were it done by the former method. The restitution of this money, when restitution can be had—the returning to industry of that which it has slowly and laboriously produced—the giving back to labor of that which is its own, is dubbed in commercial phrase, "the convertibility of the currency"! It is a misnomer and a deception. Convertibility is that which is susceptible of change. There is no change in the bit of paper. It has not been converted into gold. There is no exchange or barter, in the true sense of the term, in handing over a bit of paper for solid gold—no exchange of value for value as when two workmen mutually transfer the products of their handiwork. A moment's reflection will shew that there can be no equivalence between gold and engraved pieces of paper. To hold that a paper promise to pay gold is a representative of gold, is to hold that my obligation to pay for the thing I have purchased represents the thing purchased, which is absurd. For, the debt written or printed on the face of a slip of paper is different in no respect from any other debt, and all exchange is just simple barter, goods for money or money for goods. The issuer of the paper, in returning another's money, is doing nothing more than I do when I pay for my tea and sugar—indeed, not so much; for I give value for value, but he only returns that which belongs to another. He has paid over to you the money which belongs to you, and you have returned to him the slip of paper, the written or printed evidence of his debt, that is all.

But the paper men are not satisfied with taking the specie out of the hand of industry and lending it back to the producers for a profitable return of interest. Such a gross delusion could hardly be accomplished even with simple and unsuspecting industry. Modern banking is something far worse and far more destructive. It retains the money, or permits it to fall into the hands of speculators and gamblers; or transmits it, as profit or safety demands, and for its own purposes, from one locality to another; and then, deceiving itself and others by the specie basis phrase, issues an avalanche of paper currency, and discounts paper at the rate of about one hundred and fifty millions of dollars for every million of producers, the interest of which has all to be paid by these producers. Let any one estimate if he can, the enormous pressure brought to bear in this manner alone upon working men. That which is the "basis" of the system is not gold or silver, but millions of toiling human beings for ever crushed beneath this cruel and unrelenting power. Instead of a specie basis, it has a human basis of never-ending suffering and wrong. It can live and thrive and do its work without specie at all, as we have witnessed in the United States for several years past. It will be a dread awakening, will it not, when *toil* comes to realize the stupendous fraud.

The conductors of the American daily press are, on the whole, acute enough to perceive that it is hardly within the province of reason to call a bit of paper a dollar. They have generally held up to scorn the idea of stamping a morsel of paper with the phrase, "This is a dollar." But here they stop short. They fail to perceive,

or at least they fail to tell, that it matters little to that world of toil from whence all our resources come, whether the system of universal suspension of payment is accomplished by greenbacks, or national bank notes, or by treasury notes, or "promises" to pay, or is concealed under the thin disguise of a specie basis. They tell us that the bit of paper is nothing. Well, take away the paper and what have we left? Anything that industry has produced? Anything that it can buy or sell? Anything on which it can lay its hand?

Of course the men of London who handle in one day the accumulated transactions of the industrial world; and, on the back of that, the fabulous amounts of share and stock jobbing and other forms of speculation and gambling; and, on the back of that again, the whole of these "transactions" repeated four or five or six times ere they arrive at the central point, the Clearing House, for adjustment—these men, I say, are careful, very careful, to tell us that there is not enough of money in the world. And so, to put the thing right and to supplement the shortcomings of nature, and correct the designs of Providence, they issue an avalanche of promises to pay that which they tell us has no existence! Never was there a greater delusion foisted upon a credulous people. There is a superabundance of money in the world to perform, twice told if necessary, all the requisite and legitimate transactions of industry. Every economist ought to know that there is no special or determinate amount of money needed for the world's exchanges. There never can be too much—there never can be too little. *Through price*, it has a self-regulating power, which never can be destroyed, if people will but let it do its own work. The labor embodied in it at the mine is the one thing needed to secure at once its value and its volume.

Money is simply a commodity, just like any other commodity. It is more frequently bought than other commodities, that is all. Its use does not destroy barter, it rather intensifies it. It is no more an instrument of exchange than corn is an instrument of exchange. It carries labor in its hand—that it exchanges, nothing else. It is not an instrument of exchanging anything outside of itself. You can get things you want quicker into your possession by having this commodity to give, than if you had it not to give. These and other interesting points as to money, I have fully set forth in previous papers.

Nothing is more common than to hear what is understood by the convertibility of the currency urged as an excuse for the use of paper. It is constantly said that you can go to the bank and exchange the paper for specie. Be it so. Would any man who has given even ordinary attention to the subject, advance a simple fact like this in justification of paper currency and its attendant evils? For, what is the fact? In seeking for payment at the bank, you are only asking for what is your own. You have the bank's paper, and it is plain that the bank owes you money. You are but asking for payment of labor given or service rendered. You have given your toil, and certainly your money is due. The banks have got the people's money into their hands on a promise to return it when asked. They have got it without an industrial equivalent. Labor has given it away for bits of paper. Can we justify one or any of the ruinous effects of paper by the fact that an occasional call for money is promptly met; or that, in a time of panic, a few lucky ones near the bank, or foremost in the crush, can get cash for the notes they hold. It may be of importance to gold speculators that

they should have the privilege of gambling with the people's money at pleasure. But what does it matter if a toiler, a worker, a *producer*, can occasionally on demand get the money for which he has wrought? Is it not those who toil who pay the enormous amounts drawn out of industry for the loan of this endless paper, and the strain of which is not lessened one iota by the fact that the banker may be able to return one genuine dollar for every five or ten or twenty or fifty fictions issued from a paper mill? The thing called "Government," whatever that may mean, cannot manufacture money at will. It *produces* no commodity. It seems to me that the principal reason for its existence, as we now witness it, is that it can live off industry. At all events it would be a very different thing, and present very different features, if labor declined to feed and pamper it any longer with the enormous sums drawn out of heavily taxed toil. Government, as we know it, is only human influence localised; and it ought to develop itself, not as an instrument of crushing industry, but as the generous and faithful friend of humanity. In permitting the money of industry to be taken out of the hands of the producers, and in deceiving the people with all the absurd notions and legislation about a specie basis, Government is lending its powerful aid, not to build up, but to destroy the industry of the land. The laws of political economy are the same in Fiji and Honolulu as in Washington and London. And the great laws of exchange (which I suppose embrace what Mr. Bagehot means by his "science of business") cannot be manipulated by either Caffre or Cockney.

A word now to intelligent working-men. You must try and grasp this paper system as a whole. You must endeavor to understand it as the most extraordinary and compact development the world has ever seen of a vast and uncompromising system of industrial oppression. You must perceive the special interest that this specie basis cry has for all who live from your labor. To the real producers, the working-men, it is a matter of really small importance. Specie basis or no specie basis, there would be no decrease of discounted paper, and that is one mighty instrument by which you are now oppressed. A little gold and silver afloat among the working classes, as in England, will not prevent their downward progress in presence of that vast paper system which there exhibits unlimited power and complete concentration. You know how modern writers are fond of telling, and apparently as a matter of boasting, how the daily payments in London are said to be accomplished by the intervention of less than one per cent. of money. Once paper, you see, always paper and never-ending paper. It matters nothing to industry, I repeat, whether all this is done by greenbacks or other forms of legal tender, or by treasury notes, or promises to pay, or exchequer bills, or bonds of any kind, or even by bank cheques or by entries in bank books. The oppression to industry will be all the same; for it is off industry that the whole system must live. I can easily perceive why the mercantile and certain other classes should strive to uphold the paper system. I can even perceive why the Church should dread investigation. But I can see no reason why millions of working-men should continue in bondage to ignorance as well as to oppression.

I write this paper in the midst of a time of severe and persistent commercial distress. Mercantile firms of the highest standing are falling on every side. There is abounding and widespread sorrow.

This terrible destroyer spares neither rich nor poor. All go through the furnace alike. One's sympathies are deeply stirred to see old and honorable merchants going down in a common ruin. How many of them will now pause and see that this is indeed the finger of God? What does the reader think of this dark system of palpable unrighteousness? Can we for a moment doubt that its days are numbered?

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